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7 BEFORE THE OFFICE OF THE INSURANCE COMMISSIONER
8 OF THE STATE OF WASHINGTON

9 In the Matter of the Application regarding the
10 Conversion and Acquisition of Control of
11 Premera Blue Cross and its Affiliates.

No. G 02-45

PRE-FILED TESTIMONY OF DIANE
SOSNE, RN

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13 1. My name is Diane Sosne and I am the President of the Service Employees
14 International Union (SEIU) District 1199NW. The Service Employees International Union
15 (SEIU) has been active in the area of conversions of non-profit hospitals and health plans to for-
16 profit status in other states, including California and Missouri, and SEIU has also been active in
17 limiting the privatization of public hospitals. As a labor union representing a wide range of
18 workers—from low-wage janitors and home care workers, to higher wage registered nurses and
19 other professionals—SEIU advocates for the provision of high-quality, accessible, cost-effective
20 health care. SEIU is a member of the Premera Watch Coalition and is opposed to Premera's for-
21 profit conversion.
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PRE-FILED TESTIMONY OF DIANE SOSNE,
RN -1

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1 2. SEIU Washington State Council represents the interests of SEIU local unions
2 representing nearly 60,000 workers across Washington State. Most of SEIU's members work in
3 healthcare. Thirty thousand are low-wage workers in long-term care services including home-
4 care and nursing homes. Sixteen thousand work in acute care hospitals, home health and mental
5 health. Six thousand are registered nurses. Over 10,000 are in the public sector including state
6 and school employees. SEIU also represents building services workers and security guards in
7 Washington.

8 3. SEIU Washington State Council has long been involved in the protection of the
9 public health and public assets involved in health care conversions. In 1997, SEIU Washington
10 State Council was one of the prime supporters of Senate Bill 5227, which governed the
11 conversion of hospitals from nonprofit to for-profit status. State Representative Eileen Cody, a
12 SEIU member, sponsored the companion bill in the House, HB 1336. The legislation passed
13 unanimously in the Senate and overwhelmingly in the house, and was enacted into law, due in
14 significant part to SEIU's advocacy on this issue. Today, Washington's Hospital Conversion law
15 stands as one of the most comprehensive in the country. SEIU Washington State Council has
16 also supported efforts to enact Health Care Conversion legislation.

17 4. SEIU Washington State Council's members include Premera subscribers,
18 enrollees, and contract holders, such as individuals who are enrolled in Premera through
19 Medicaid, the Basic Health Plan, the individual insurance market and through the benefits
20 provided to public employees. Some of SEIU Washington State Council's members, such as
21 nurses and home health care workers, may also be contracting providers with Premera.
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1 5. SEIU is opposed to the conversion because many SEIU members, including
2 Premera subscribers, enrollees and contract holders, will be harmed if the transaction is
3 approved. A majority of the twenty-eight thousand homecare workers represented by SEIU, and
4 the health care consumers that they serve, depend on public programs like the Basic Health Plan
5 and Medicaid Managed Care. These programs contract with Premera as well as other health
6 plans; but in some parts of Washington State, Premera is the only plan available. Premera's
7 recent announcement that it will pull out of serving Medicaid and Basic Health consumers will
8 make health care access and choice for many SEIU's members more difficult and reflects
9 Premera's abandonment of its historic mission in Eastern Washington to serving low-wage
10 workers and their families.

11 6. SEIU Washington State Council's members who are state employees through the
12 Public Employees Benefits Board also rely heavily on Premera to provide for their healthcare,
13 and in some parts of the state Premera is the only plan available to them. SEIU is concerned that
14 the proposed conversion will also impact their access to health care.

15 7. As providers of healthcare, SEIU members experience the effects of the rising
16 costs of healthcare and the growing number of uninsured and underinsured in their work. The
17 for-profit Premera's efforts to produce profits for its shareholders may impact the contract rates
18 paid to SEIU members that provide care to Premera enrollees. SEIU is opposed to the conversion
19 because the conversion will impact the rates paid to its members who are Premera providers. We
20 are already seeing evidence of for-profit Premera's plan to ratchet down rates to providers in its
21 contract dispute with Providence's Eastern Washington Hospitals.

1 8. SEIU is also opposed to the conversion of Premera to “for-profit” because the
2 transaction could have serious implications on market conditions. The conversion could drive up
3 prices and possibly limit access to healthcare for SEIU members, their families, communities,
4 and their patients. It also could have implications for hospitals where SEIU members work in
5 terms of reduced reimbursement for costs and therefore the amount and quality of services
6 provided.

7 9. SEIU is also opposed to the conversion because Premera proposes to continue to
8 control the nonprofit funds it will set aside in two foundations. SEIU’s members are
9 beneficiaries of the nonprofit assets held by Premera Blue Cross. Because of their direct, daily
10 involvement in the health system, particularly as it serves low-income and disabled individuals,
11 SEIU believes that if the conversion is approved, the funds must be set aside in foundations that
12 are completely independent from Premera and the interests of health insurers.

13 10. SEIU is also opposed to the proposed conversion because of our firm belief that
14 for-profit health care wastes precious health care resources on administration and excessive
15 executive compensation. The Premera conversion raises troubling issues of how patient care
16 dollars will be used in our state. American health care is expensive and inefficient and further
17 concentration of decision-making power for health care in the hands of for-profit companies will
18 make the problem worse. Too much money is spent on expensive salaries for administrators and
19 executives and not enough resources are directed to direct patient care. This problem is
20 significantly worse in the for-profit sector than in the non-profit sector. Premera’s own report on
21 its plan for executive compensation post-conversion reflects this problem.

11. For-profit conversions and health care corporations tend to stop serving the interests of their patients and their communities, and instead serve the narrow interests of their top executives. For example, Tenet CEO, through salary, bonuses and stock options, netted more than \$100 million in the calendar year of 2002. HealthSouth's CEO owned several large homes, made millions of dollars, and was ferried around the country by flying on HealthSouth's fleet of corporate jets. The caregivers of our union feel that this type of outrageous waste and corruption is simply unacceptable in a health system that's struggling with a shortage of health workers and can't provide health care to all working people.

12. To be sure, Premera is not as large a corporation as either Tenet or HealthSouth. However, we believe it would be wrong to ignore the cautionary tales of Tenet and HealthSouth. The reality of for-profit health care is that it is far too easy for the executives of a for-profit health care provider to put the bottom line above quality patient care. Their first responsibility is to maximize profits.

13. SEIU believes that's the wrong model for health care. We should be building a system that holds down costs, focuses on maintaining the quality of patient care, and expands access to affordable care for everyone.

I declare under penalty of perjury of the laws of the State of Washington that the foregoing is true and correct.

Dated this day of March 2004, in Chicago, Illinois.

DIANE SOSNE, RN

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